

# Getting the message across

Message management outsourcing adds leverage and reduces costs, argues *JPMorgan*.

**O**NE OF THE notable recent trends in outsourcing has been the search by managers to find solutions that offer a quick hit in terms of cost and efficiency gains. This granular approach, where managers progressively outsource individual functions, can deliver near-immediate benefits without major disruption to working practices, whilst also enabling managers and their preferred service partner to establish a closer working relationship before considering a fuller outsourcing arrangement.

Over the last year, there has been a growing level of interest from the buy-side in outsourcing message management. Many asset managers, especially those small and medium-sized enterprises that are growing rapidly, cannot justify the cost and resource investment required to set up and maintain the infrastructure to manage message flows between their counterparties and service providers. In an environment where investment capital is limited, buy-side firms are looking for innovative solutions to solve the message management challenge.

The business of message management has grown increasingly complex as industry standards and coun-

terparty requirements change. Where managers use a broad panel of trade counterparties, and have multiple custodian relationships, maintaining proprietary links can be confusing, labour-intensive and highly expensive. Additionally, only the largest asset managers can justify the significant investment in becoming a participant in the SWIFT network. The concept of outsourcing message management may be relatively new, but the principles are well-established. Fund managers can effectively lift out their internal messaging architecture, replacing it with the facilities managed by the service provider. Managers are leveraging the message architecture of that firm, gaining access to greater functionality at reduced cost. As with any outsourcing arrangement, the key to success lies in the ability of the service partner to deliver what the client requires today and anticipate future needs.

Message management outsourcing clearly makes sense when the service partner can offer significant scale and robust architecture, allied with a long-term commitment to the process. When these conditions are met, asset managers can justifiably expect solutions that comprehensively deal with their message management challenges, including higher STP rates, reduced costs, improved efficiencies, more effective multilateral communications, integrated applications and adherence to best market practice and industry standards. **E**

## The benefits of message management outsourcing

**Message management outsourcing can deliver substantial expense breaks:**

- Reduction of capital expenditures on middleware, messaging applications and industry upgrades such as ISO 15022
- Potential for reducing operating cost per transaction through lower fixed overheads
- Elimination of manual processing with increased automation and straight-through processing (STP), providing long-term financial savings
- Avoidance of hardware, licensing and maintenance resources for SWIFT connectivity

**But outsourcing the message management function is not solely about cost reduction. It can also improve productivity and support client growth strategies:**

- Seamless links to other outsourced services to add flexibility in implementing outsourcing solutions

- Easier integration of multiple internal applications
  - Centralisation of data transmissions and communications to multiple providers through a single connection
  - Leverage of outsourcing provider's strategic messaging architecture, geographic scope and scale
  - Provision of resources for testing and set up with third party providers
  - Inclusion of disaster recovery services
- Our own service, JPMorgan Message Express, is already delivering these benefits to clients. The service simplifies client operating models by providing a centralised solution for translating, transforming and transmitting messages with the full middleware capacity to validate, reformat and enrich messages. Some of the service features include:
- Single connection between a firm's internal systems and industry utilities

- such as SWIFT and FIX, as well as to matching utilities such as Omgeo;
- Provision of settlement status monitoring and corporate actions processing;
- Routing service that enables firms to send and receive transactions and offers market event and settlement status messages to and from custodians and other external parties;
- Enrichment, management, maintenance and population of industry standard settlement instruction (SSI) databases with connectivity to industry databases such as Omgeo ALERT;
- Acceptance of data in multiple formats, translating the information into structured message types and industry-accepted standards such as XML and ISO 15022; and
- Links to the bank's global foreign exchange trade desk for execution and confirmation.